



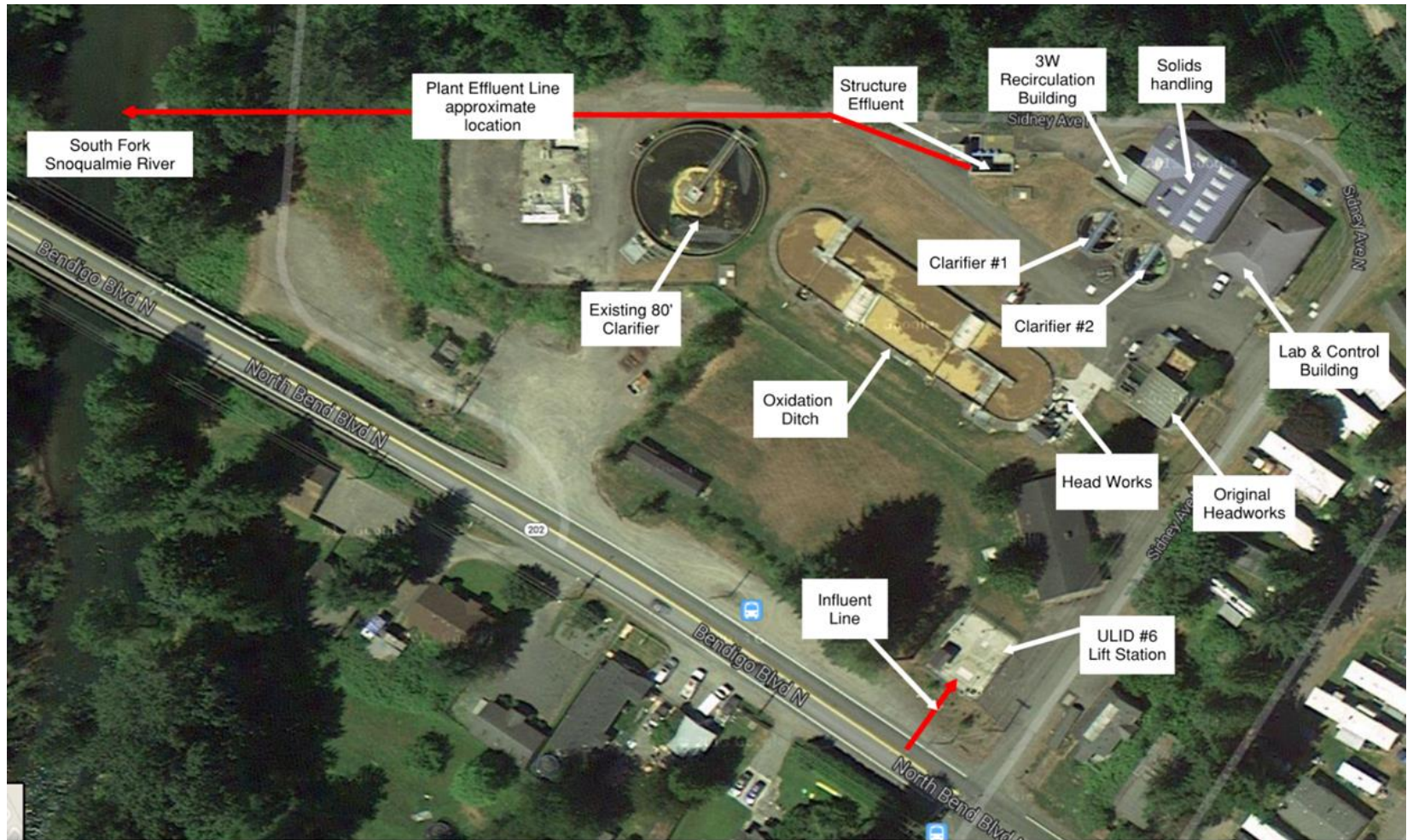
SEWER TOWN HALL MEETING

JULY 7TH, 2016

DISCUSSION OF INCREASING
SEWER RATES



North Bend Sewer Plant



North Bend WWTP



Capital Facilities Plan

City Studied 3 Options:

1. Regional Option – Contract with another provider for sewer = \$63 million
2. Build a new Sewer Plant on new Property = \$53 million
3. Remodel our existing Sewer Plant = \$27 million



Public Participation for Capital Facilities Plan

Public Meetings were Held

1. March 15, 2016 City Council Meeting
2. April 26, 2016 Public Meeting
3. Various Council Committees

Council and public supported least expensive option of remodeling existing Sewer Plant = \$27 million



Basics of Sewer Utility

- Enterprise Fund – Self supporting
- Residential and Commercial ratepayers
- Acronyms:
 - General Facility Charges (GFC) = connection fees to hook up to sewer
 - Equivalent Residential Unit (ERU) = typical sewer use in home comprised of 2.57 people



ERUs - Residential vs. Commercial



Residential

One House = 1 ERU



Commercial

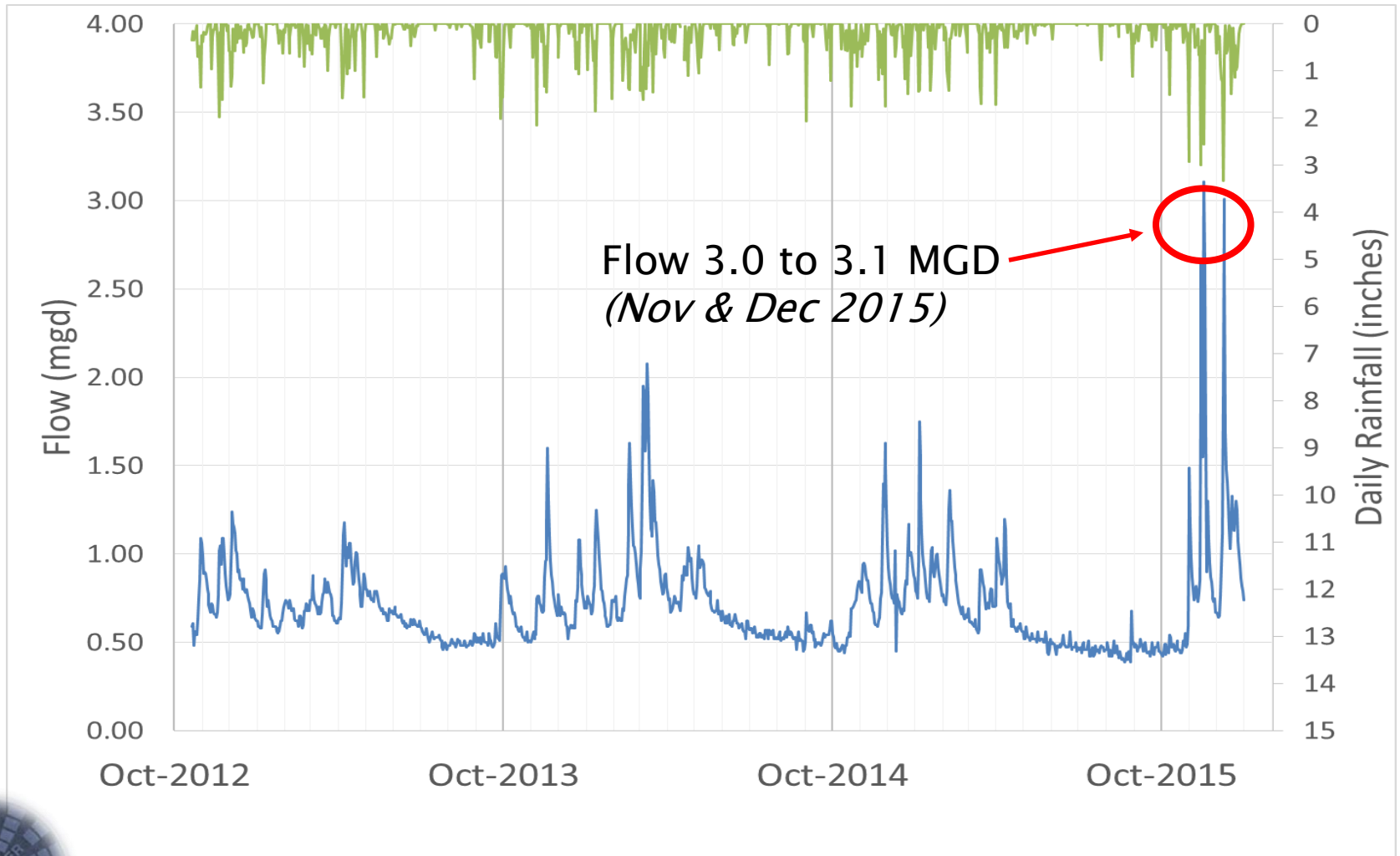
Depends on use
(size of water meter)

How Many ERUs Are Available?

- How many ERUs do we have in our plant?
 - The City's Permit allows 2.58 mgd = 4,492 ERUs
- How many ERUs are already being used?
 - 2,292
- How many ERUs are available for new development?
 - You would think the answer would be:
 $4,492 - 2,292 = 2,200$ but that is **Incorrect**.
 - NOT all 2,200 are available for new development due to Inflow and Infiltration (also called I&I) which eats up sewer capacity.
 - Implementation of the next 3 years of capital improvements will allow most of the 2,200 ERUs to be available.



Impacts of I&I



Impacts of I&I



How many new ERUs are planned?

Does this rate increase mean we are planning for thousands of new homes?

- No. The rate increase is planning for approximately 500 new connections over 5 years.
- ERUs are used by both residential and commercial uses. (e.g. hotel use)



Why Do Rates Need to Increase?

- **Sewer Plant is Old**

- ✓ Plant was built in 1950's, upgraded several times, and is failing
- ✓ Plant is violating regulations
- ✓ No redundancy
- ✓ Safety violations

- **Growth Management and Property Rights**

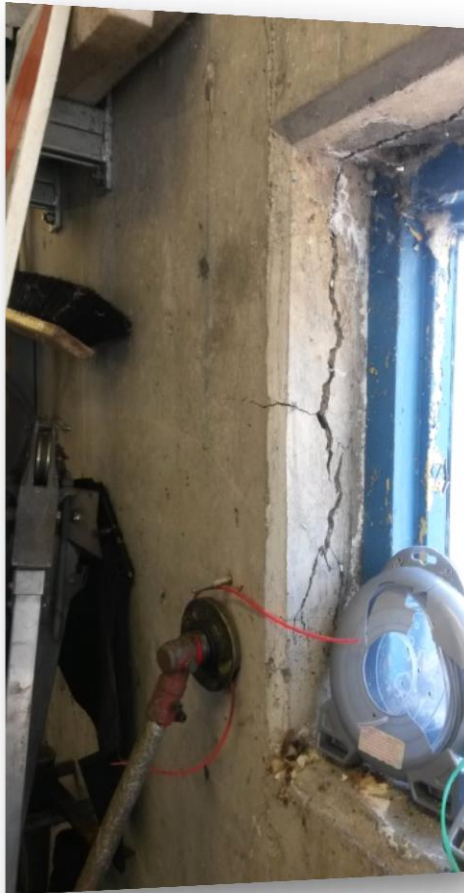
- ✓ City is part of Urban Growth Area
- ✓ State law identifies City to deliver urban sewer services
- ✓ City can't ban growth indefinitely unless City buys property



Why Do Rates Need to Increase?



Why Do Rates Need to Increase?

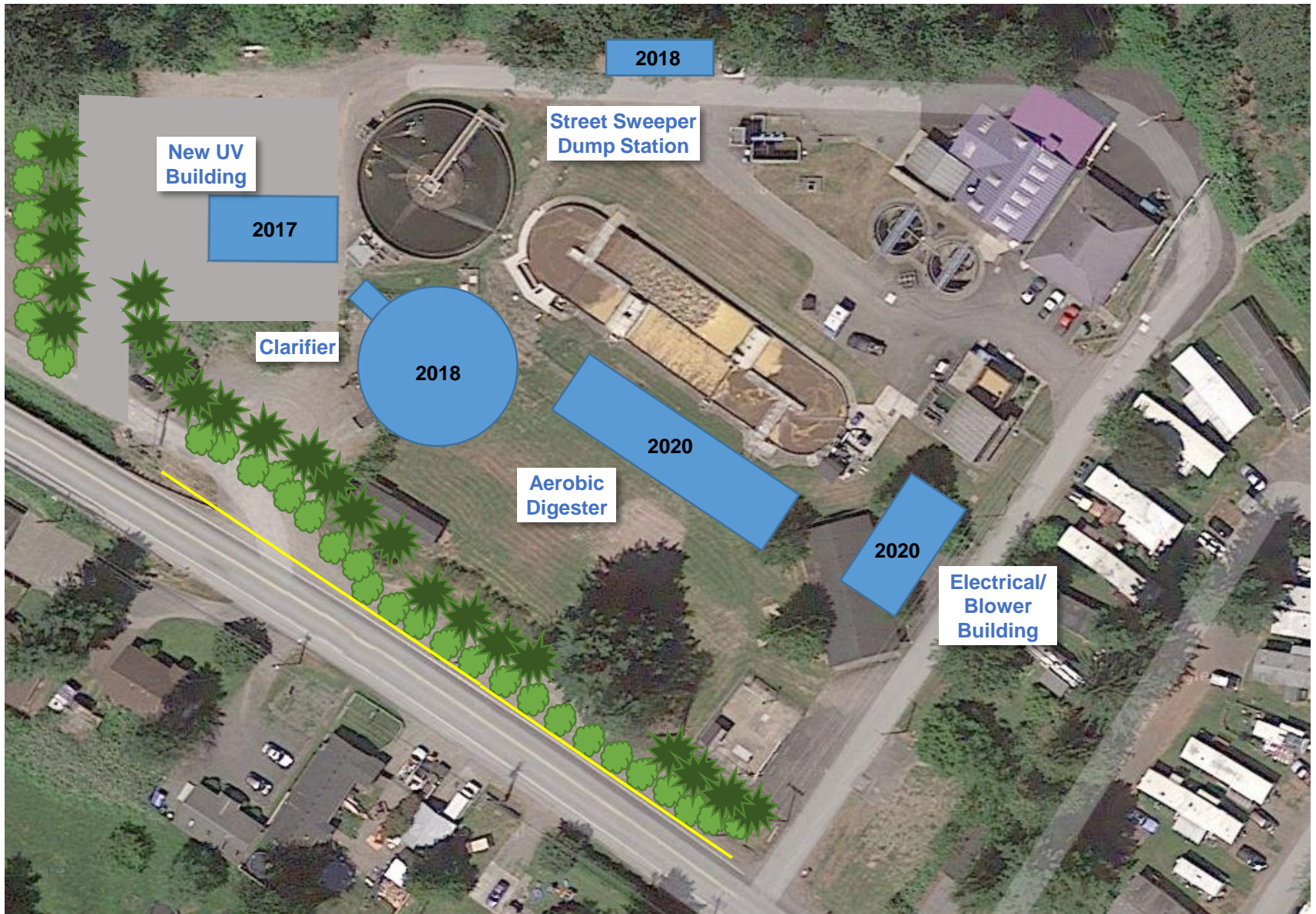


What Are We Paying For?

- Rates are paying to upgrade 1950s Plant
(\$15.6M Improvements + new operating costs)
- Rates are paying to meet new regulations
- An additional \$11.4M improvements may be required after 2029 to accommodate growth (if needed) through the end of the 20 year planning period ending 2036. Costs for these growth improvements would be borne by developers.
- Rates are also paying for additional Operating & Maintenance costs needed to maintain existing and new assets.
- Spreading rate increases over time more fairly shares the costs among ratepayers.



What Are We Paying For?



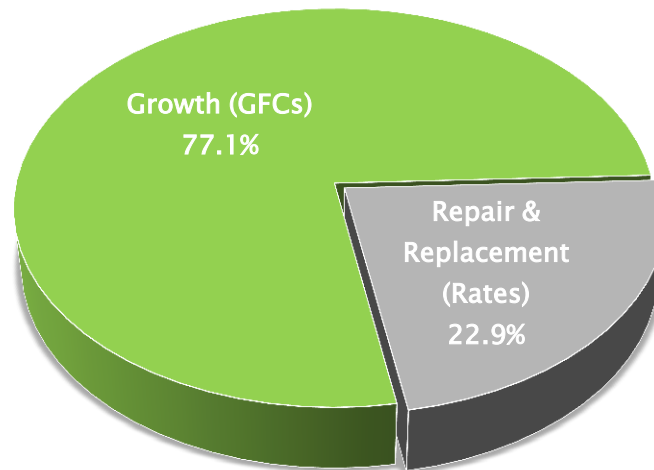
What Are We Not Paying For?

- Residential ratepayers are not subsidizing new housing development. Growth is paying for Growth.
- Not Paying For Other City Operations. Sewer Utility is an Enterprise Fund.



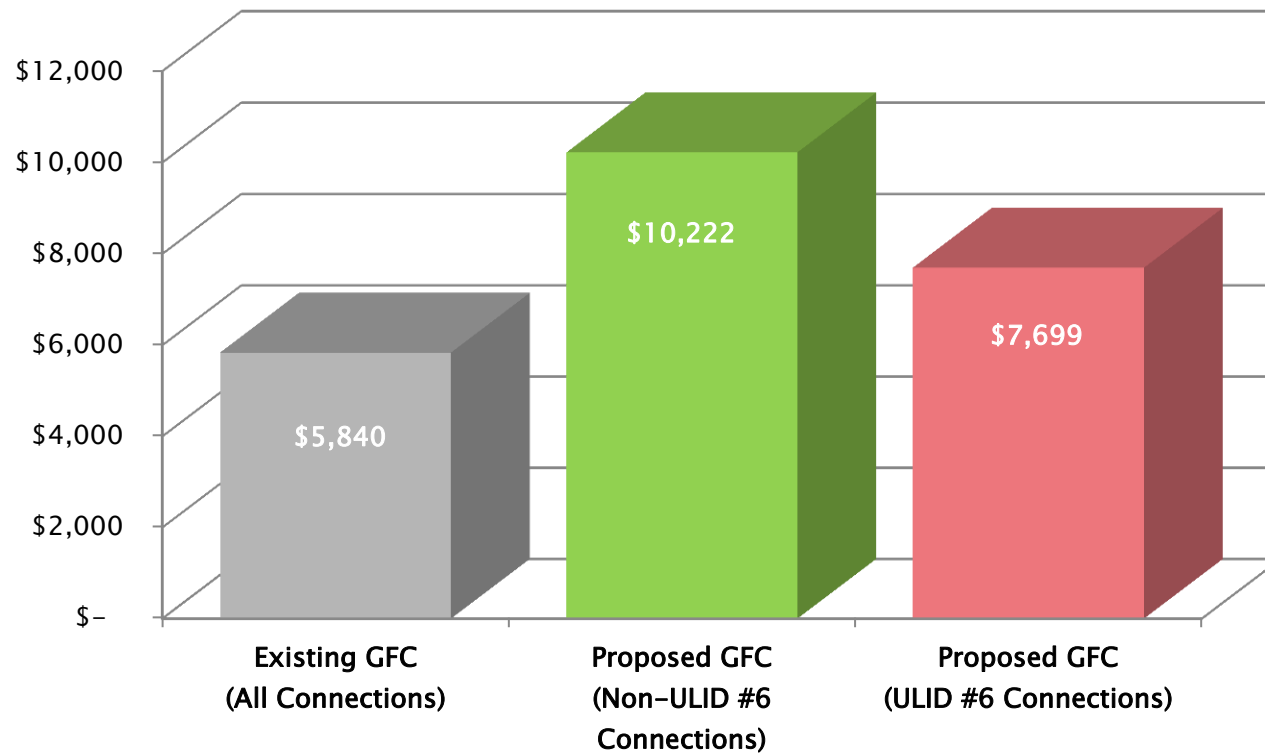
Is Growth Paying for Growth?

What portion of \$15.6m is being paid for by new homes/growth vs. existing ratepayers?



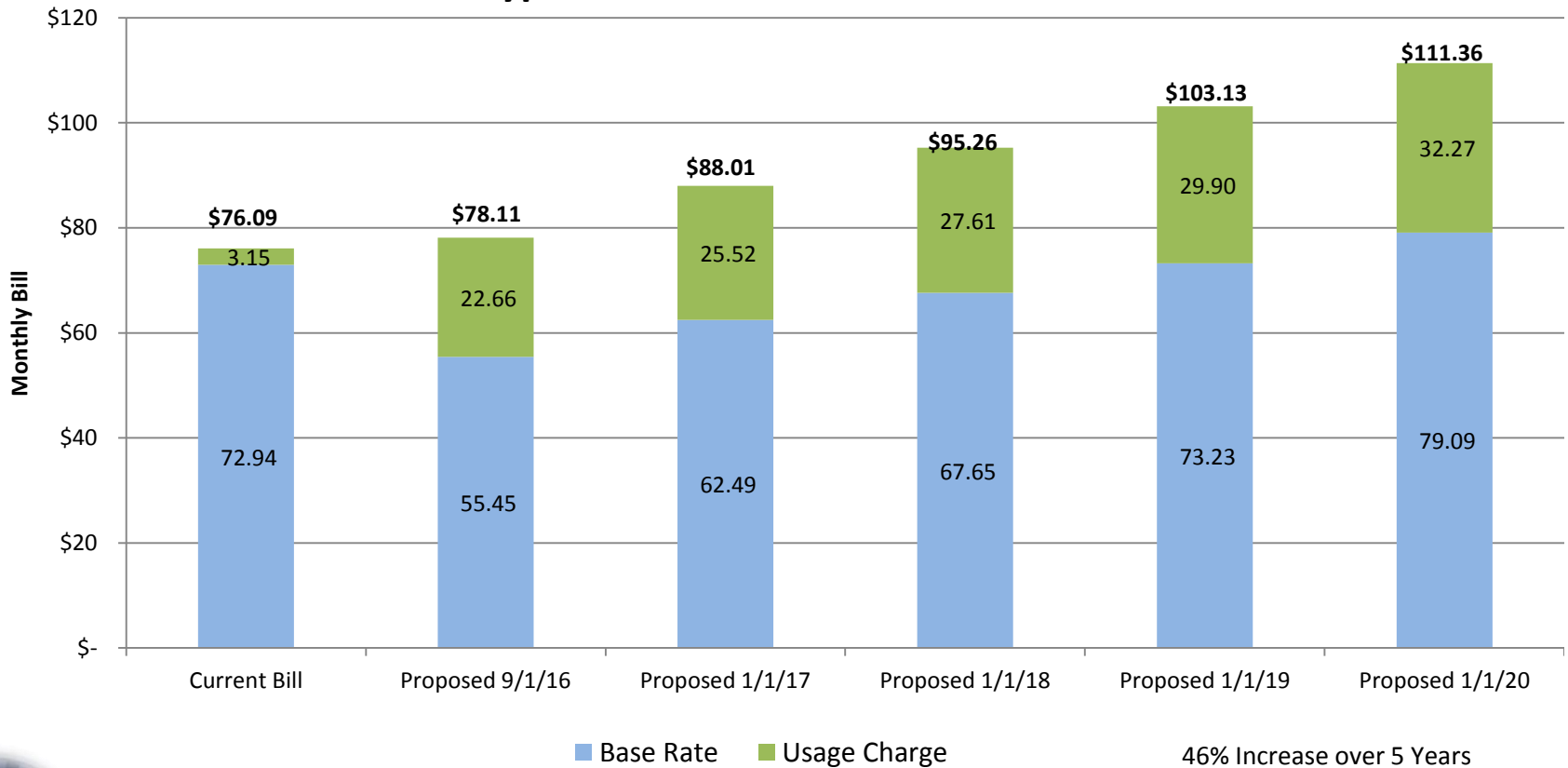
Is Growth Paying for Growth?

Existing vs. Proposed GFCs



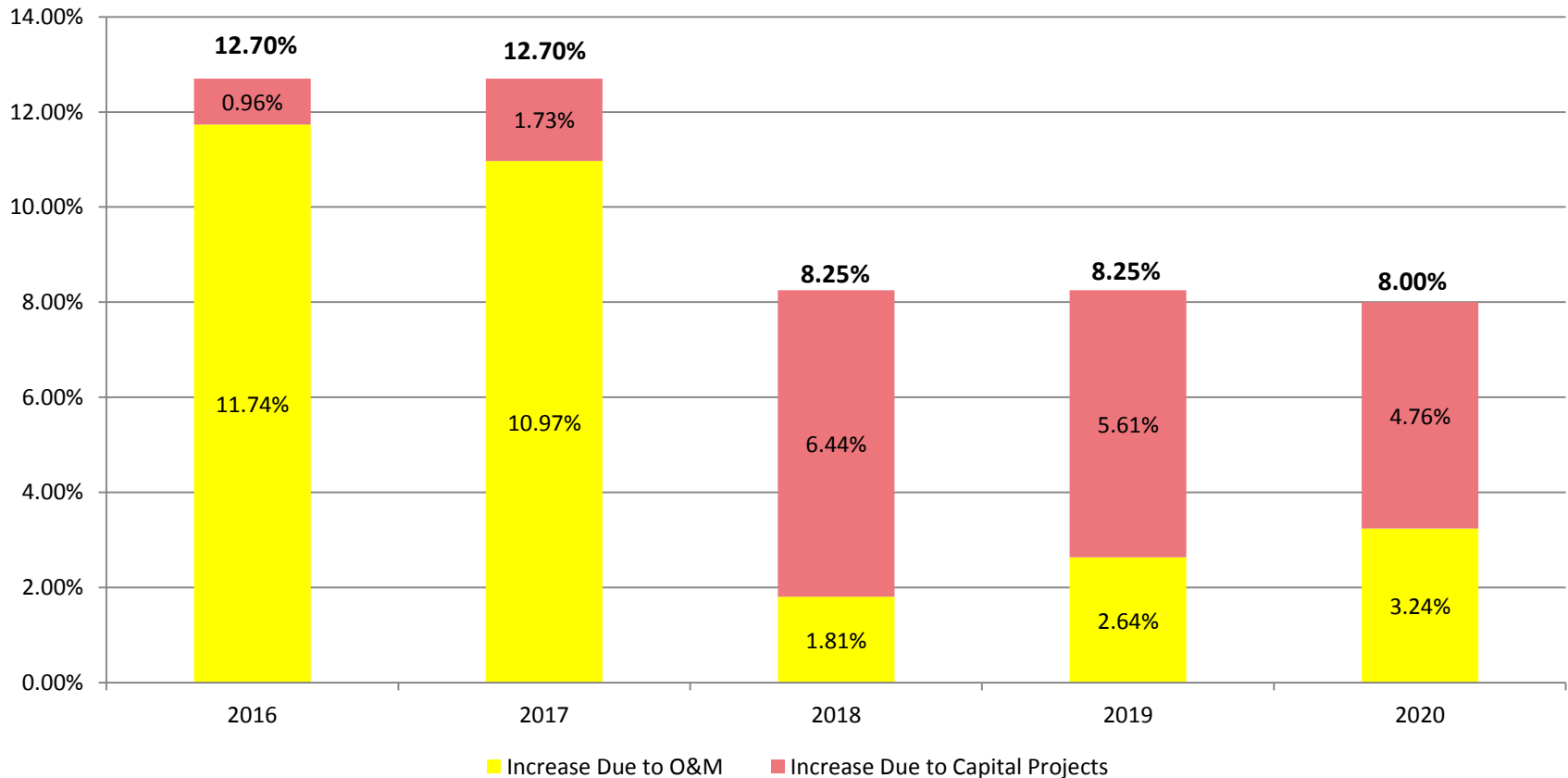
Rate Increase on Typical Residential Ratepayer

Typical Residential Sewer Rate



What Are We Paying For?

Effect of O&M vs. Capital Improvements on Rates



New Rate Structure Rewards Water Conservation

❖ Base Rate –

- Same rate for all customers (residential and commercial)
- Includes first 10 cubic meters

❖ Usage Rate –

- Same per cubic meter rate for all customers
- Per cubic meters of water used over the first 10

❖ Winter Averaging – For the months of April through October, consumption amounts for sewer services will be based on the average water consumption during the months of November through March, so as not to penalize sewer customers using water for lawn and garden irrigation and other summer activities.”



Conclusion

- Sewer Utility is Enterprise Fund – Must be Self Supporting and funds cannot be used for other City operations.
- 1950s Sewer Plant is Failing.
- Rates must be increased to pay for improvements and additional Maintenance and Operation costs.
- Next Steps: Continued City Council Public Hearing
July 19th @ 7:00PM – Senior Center



It's OK to Water Your Lawn!

Winter Averaging - Ordinance Language:

“For the months of April through October, consumption amounts for sewer services will be based on the average water consumption during the months of November through March, so as not to penalize sewer customers using water for lawn and garden irrigation and other summer activities.”

